

# Senator Steve Johnson

## A Citizen's Guide to Taxes

### 47th LEGISLATIVE DISTRICT

Dear Friends,

*As involved citizens, it's important that we remain aware of the many ways taxation and government affect us and our families... from home ownership to transportation to employment.*

*As your neighbor and state Senator for our 47th Legislative District, my top priority has always been to serve families in our area. It is my firm belief that one of the best ways to accomplish this goal is to work in every way possible to reduce the size and scope of government so we can reduce the tax burden on Washington families – allowing us to keep more of our hard-earned money.*

*With the passage of Initiative 695 (the \$30 license tab measure which passed with 64 percent approval in our legislative district), voters sent state and local government a few clear messages. They said —*

- 1. End this unfair motor vehicle excise tax.*
- 2. Give us the ability to approve or reject any new tax at the voting booth.*
- 3. Seek more efficient ways to deliver critical services at both the state and local levels, while maintaining the spending discipline that has limited the growth of state government.*

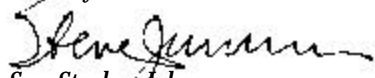
*Many in Olympia see the passage of I-695 as an excuse to blow the lid off of the state's voter approved spending limit and spend the state's emergency funds. I do not. A tax cut is not an emergency. If one-half of the surplus is spent with no crisis (as proposed by the governor) how fast would the other half be exhausted in the event of a real financial emergency?*

*I believe that if we maintain our crucial spending discipline, while working to prioritize critical education, health, public safety and transportation efforts, the state will be prepared to respond to genuine emergencies, while returning even more tax dollars to Washington families (see inside).*

*As we begin a new legislative session, as well as a new millennium, I will continue to work toward achieving these goals. In the meantime, you may be interested to learn just how much taxes affect you and your family every day of your life, as well as what I am trying to do about it.*

*While this is by no means a comprehensive guide, it should provide a basic explanation of our state's tax and regulatory establishment. Thank you for your interest.*

Sincerely,



Sen. Stephen Johnson  
47th Legislative District



*As the Senate Republican Floor Leader, Sen. Johnson spends much of his time on the Senate floor advocating fiscal discipline and restraint in government.*

**Did you know?**  
Washington ranked 10th  
in the nation for state  
and local tax collections  
per \$1,000 personal  
income in 1996.

**That year, residents paid  
an average of \$2,800 in  
state and local taxes  
alone!**

Source: US Census Bureau &  
Washington Dept. of Revenue (DOR)

### Committee Assignments:

- ◆ Transportation Committee
- ◆ Health & Long-Term Care Committee
- ◆ Judiciary Committee
- ◆ Rules Committee

### How you can reach me....

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- ◆ **Homepage:** <http://www.leg.wa.gov/senate/src/members/johnson.htm>

## At home...

Property taxes: Throughout my years in the Legislature, I've been committed to reducing the most burdensome tax upon homeowners and families: the property tax.

We are currently in a position to eliminate the state portion of the property tax. Here's why: Because of the voter-approved state spending limit (which some in Olympia now want to do away with), state revenues are growing much faster than the amount the state is allowed to spend. That spending discipline means the state is collecting too much from you and is in a position to allow taxpayers to keep more money.

The property tax is the ideal tax to cut because it affects home ownership and the stability of our neighborhoods and schools. It impacts the ability of young families and retired citizens to afford and keep homes in our area.

The state's portion of the property tax accounts for 25 percent of your tax bill. Your property tax is broken down into three main pieces: the state regular levy, local regular levies, and voter-approved excise levies (see chart on right).

Most recently, I supported Senate Bill 5905 which completely eliminated the state portion of the property tax.

What would this mean to you? The median price for a home in King County is \$230,000. In 1999, the average state tax was



\$3.40 per thousand dollars home value. That translates into roughly \$782 for the owner of an average home in our county. SB 5905, which would phase out that portion of your tax bill, remains in the Senate Ways and Means Committee and could be

### Notable Quote:

**"Death and taxes are both certain... but death isn't annual."**

-Anonymous-

revisited during the 2000 legislative session.

The rest of your

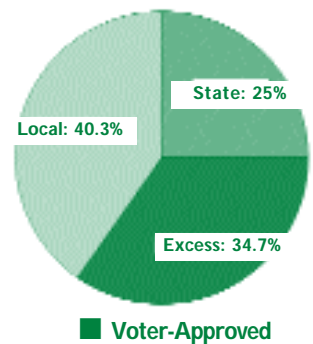
tax bill is comprised of average regular local levies and voter-approved excess levies. Statewide, they totaled \$10.16 per \$1,000 on average. Overall, the total property tax on an average King County home could be more than \$3,000. (Source: Dept. of Revenue/DOR)

Other possible taxes and government fees that may affect you, depending on where you live:

- Real estate excise tax;
- Public utility taxes for express, natural gas, sewerage collection companies, light and power companies, and water distribution companies;
- Private utility taxes (passed along to the customer) for natural gas, electric, telephone, cellular telephone, garbage, water, sewer, storm drainage, and cable television;
- Homeowner's and fire insurance premium tax; and
- Wood stove fees. (Source: DOR)

On top of that, the Building Industry Association of Washington recently estimated that 25 percent of the cost of a new home is directly attributable to impact fees, sewer hook-ups, taxes, energy code compliance, and the numerous other fees and regulations that drive costs up. The BIAW will include a "New Home Label" on each new home that breaks out how much of the cost of the home is due to government regulation.

Statewide Average Property Tax 1999 Rate



■ Voter-Approved

## In your car...

For the luxury of driving your own car, you meet several government requirements and pay numerous taxes and fees. While some of these requirements and fees are necessary to ensure safety and fairness on the roads, it's interesting to note just how many there are.

■ **Driver's license:** The cost to take the driver's exam is \$7; then, if you pass, you pay \$14 to receive your license and another \$14 every four years to renew the license. (Source: Dept. of Licensing/DOL)

■ **Auto insurance:** Under Washington law, all drivers must carry auto insurance. On top of your premiums, you also pay an insurance premium tax.

■ **License tabs (or MVET):** Before the passage of Initiative 695 last November, your license tabs were



based on the manufacturer's suggested retail price (MSRP) when the vehicle was first offered for sale. From there, the state used a standard depreciation schedule to calculate the tax. After Initiative 695, all standard motor

vehicles will be charged a flat \$30 fee. Other local taxes and fees, plus local DOL licensing agent fees will make that amount somewhat higher.

■ **Gas tax:** Washington drivers pay a 23-cent-per-gallon state gas tax, one of the highest in the nation. You also pay 18.4 cents per gallon in federal gas tax for a total of 41.4 cents on each gallon of gas you put in your car. Counties are also authorized to levy an additional gas tax of up to 2.3 cents per gallon with voter approval. (Source: DOR)

### Did you know?

**There are 1,747 taxing districts throughout the state!**



At work...

Whether you own your own business or work for someone else, you are either directly or indirectly impacted by a variety of taxes and regulations too numerous to list. Good economic times and business success stories are no excuse for excessive taxes and regulation. As a legislator, I have always supported efforts to bring fairness and predictability to the laws and taxes the state imposes. Here are some of the major areas where government affects the workplace:

- **Business & Occupation (B&O) tax:** We have six different B&O tax rates for Washington businesses. This tax is levied upon all of the money a business brings in, not just the profits – there is no consideration for the costs of doing business, like purchasing raw materials or meeting employee payrolls. B&O tax rates vary from .011 percent to 5.029 percent.
- **Municipal business taxes:**
  - 36 cities levy an additional B&O tax on gross receipts, ranging from .17 to .22 percent;
  - Roughly 130 other cities charge an annual license which is either

fixed or based upon the type of business activity;

- Another 36 cities measure the annual tax based on the number of employees; and
- Six others use the square footage of the business for measuring the annual license fee.

■ **Business filing fees and licensing fees:** Aside from what you pay your local government, business owners also pay a \$175 filing fee to start their business and another \$59 per year to hold a business license.

■ **Retail sales and use taxes:** Businesses are responsible for collecting retail sales and use taxes, ranging from 7 to 9.7 percent.

(Tax information: DOR)

**Business Blues**  
**Washington has the highest business taxes in the West.**  
**Business pays 47 percent of all state and local taxes.**

Source: Washington Research Council

“OWN A BUSINESS? LEARN THE REGULATION RAP”

Do you know what a Pensky-Martens cup tester is? Many Washington business people are expected to. Not only must they know what this is but they must know how to use it to determine if the waste produced by their business is hazardous or not.

Washington businesses comply with 58 sets of regulations imposed by state, local, and federal agencies. The average small business owner, an auto mechanic for example, must comply with more than 100,000 regulatory requirements. The Washington Industrial Safety and Health Act (WISHA) has more than 46,000 regulatory requirements. The trick for small business owners is to find out which ones apply to them and how to comply.

(Source: Independent Business Association)

On your free time...

The largest source of revenue for Washington State is the sales and use tax, which is levied upon consumers and collected by businesses.

The state’s base tax rate is 6.5 percent. Local governments and other entities are allowed to levy additional taxes on top of that. In King County the total general sales tax is 9.3 percent.

**“Washington is one of few states in the nation where government has its hand in your pocket before you can take any money out.”**

Independent Business Association of Washington

In King County, only about 1.7 percent of the sales tax was approved by voters. On top of that, we pay another .5 percent for food and beverages sold by restaurants, bars, and taverns to help pay for Safeco Field.

Some of the other items and activities upon which sales taxes are levied include:

- Cigarettes and tobacco products;
- Wine, beer, and liquor sales;
- Soft drinks;
- Aircraft fuel (paid primarily by private owners of small aircraft — commercial airlines are exempt);
- Lodging and car rentals;
- Horse racing, boxing and wrestling;
- Gambling, including punch boards, pull tabs, bingo, raffles, amusement games, and social card games; and
- Telephones (paid by every family who has a telephone).

(Source: DOR)

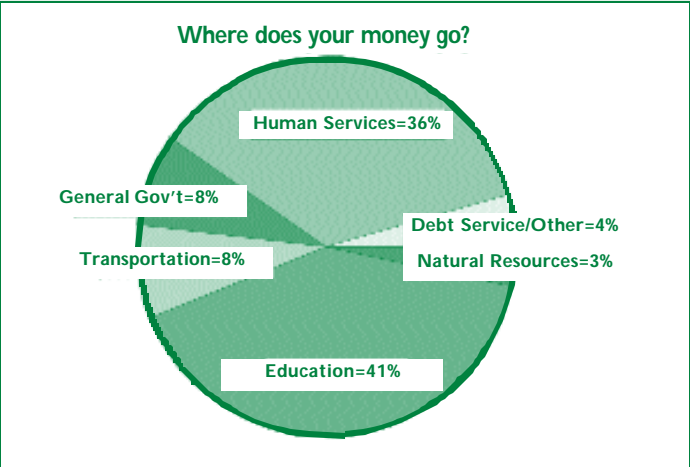
What’s in it for you?

While it’s always good to talk about lower taxes, it’s important to remember that government also does some good things — things we rely upon everyday.

In the three separate state budgets the Legislature approves, the state provides for things such as:

- Public education for our children and college students;
- Our vast public library system;
- Law enforcement, courts, rehabilitation programs, and prisons;
- Buses, trains, and ferries;
- Roads and highways;
- Assistance for the young, old, and needy who cannot take care of themselves; and
- Parks and recreation opportunities for our families to enjoy.

While government does provide these important services, my job as your state Senator is to work to ensure that our hard-earned tax dollars are being spent wisely.



Keeping spending in check

In 1993, voters approved Initiative 601 to limit the growth in state government taxes and spending. This spending cap, which ties the amount the state is allowed to spend to the inflation rate, has had the effect of dramatically limiting state spending growth. (See chart.)

Since revenues have been growing so rapidly, and government is only allowed to spend a certain amount of the revenue it takes in, the state now has a sizeable “rainy day” account.

It’s important that we keep the voter-approved spending limit intact, since it’s helped keep government disciplined in its taxing and spending. But it’s also important that we:

1. Seek more efficient, more effective ways of delivering government services through privatization and competition.

2. Find ways to continue to reduce the tax burden. The goal is to reach the point where government is only taking in what it is allowed to spend — no more than that.

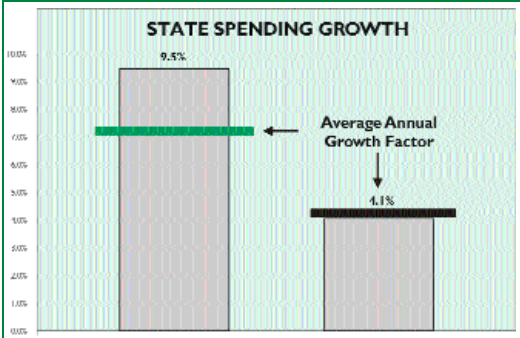
If we do these things, government will have the ability to provide essential education, public health, public safety and transportation services — even without the revenue that was once generated by our motor vehicle registration. And it will be able to reduce our

tax burden to levels that improve the wonderful quality of life that we enjoy here in the Pacific Northwest.

But it will be hard work. I believe it’s the kind of work you asked me to do for our district in Olympia. I will do everything I can this legislative session to remind my legislative colleagues that my friends and neighbors at home want us to maintain government spending discipline, to allow private competition in providing government services, and to ensure that essential programs (like education and public safety) remain fully funded.

The passage of Initiative 695 is an opportunity for us to find smarter ways to deliver all essential services, at a lower cost to us — the taxpayers.

— Sen. Stephen Johnson



New Millennium Town Meeting!

Please join Sen. Steve Johnson at a 47th District Town Meeting on Saturday, January 22.

10:30 - Noon • Covington Library,  
27100 164th Ave. S.E., Covington  
1:30 - 3 pm • Fairwood Library,  
17009 140th Ave. SE., Renton

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